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RUEKJCS/JCS WASHDC IMMEDIATE  
RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE  
RUEKJCS/JOINT STAFF WASHDC IMMEDIATE  
RHEHNSC/NSC WASHDC IMMEDIATE

C O N F I D E N T I A L JERUSALEM 000623

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NEA FOR FRONT OFFICE AND NEA/IPA; NSC FOR SHAPIRO/KUMAR;  
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TAGS: [EAID](#) [ECON](#) [EFIN](#) [IS](#) [KWBG](#) [PGOV](#)  
SUBJECT: PA PAYS WEST BANK SALARIES, GAZA SALARIES ON HOLD

REF: JERUSALEM 549

Classified By: Consul General Jake Walles for reasons 1.4 (b) and (d).

¶1. (C) Summary. The Palestinian Authority (PA) paid civil servant and security salaries in the West Bank on April 6. Salaries for PA employees in Gaza are on hold due to inadequate resources available to the PA and the continuing shortage of banknotes. According to contacts at the Palestine Monetary Authority (PMA), the GOI has given permission for NIS 50 million (USD 12.5 million) worth of banknotes to be transferred to Gaza bank branches on April 7.  
End Summary.

¶2. (C) PA Ministry of Finance and local bank officials confirm that the PA paid March salaries to its West Bank employees on April 6, as scheduled. Ministry of Finance (MoF) Director General Mazen Jadallah told EconSpecialist that salaries were paid on the basis of donations from the EC (USD 30 million), UK DFID (USD 12 million) and India (USD 10 million). These external funds were combined with the monthly transfer of clearance revenues (minus deductions) of NIS 165 million (USD 41 million) and "a bank loan of about USD 20 million or so," according to the MoF. Bank of Palestine officials confirmed to EconOff on April 7 that the bank made additional credit available to the PA on April 6 though an extension of existing overdraft facilities.

¶3. (C/NF) Prime Minister Salam Fayyad told the Consul General that, as of April 5, the PA did not yet have the resources to pay Gaza salaries in full. Given the shortage of banknotes in Gaza, he said, there was no reason to emphasize this fact publicly or delay West Bank salaries. Local bank contacts said, on April 6, that they were not disbursing salaries in Gaza because they did not have the necessary cash on hand, and would not do so absent coordination with the MoF and PMA.

¶4. (SBU) PMA Governor Jihad al-Wazir reported on April 6 that he had received permission from the GOI to transfer NIS 50 million in banknotes from the West Bank to Gaza bank branches on April 7. These banknotes would be distributed among the various banks based on current liquidity and the number of PA employees holding accounts at each. The PMA will, he said, have to enforce partial disbursement of salaries as there will not be enough liquidity in banks to allow for full withdrawals.

¶5. (C/NF) World Bank officials told EconOffs on April 6 that the PA is now effectively accumulating private sector arrears due to a shortage of funds. According to these contacts, the MoF stopped disbursing cash to ministries more than six

months ago to cover small operating expenses. MoF officials also admit that they are not paying private sector invoices on a timely basis due to a lack of funds. Banking sector contacts had indicated that they were not inclined to offer additional credit to the PA, but it appears they have been persuaded otherwise.

WALLES